ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1948


NABISCO
NABISCO
RITZ
CRACKERS
NATIONAL BISCUIT COMPANY

The Year in Brief

	1948	1947
Net Sales	$296,250,431	$263,893,660
Income from Operations	34,851,331	37,647,158
Net Income	22,713,736[†]	22,902,126
Per share of Common Stock . .	3.33[†]	3.36
Dividends Declared	14,315,211	14,315,211
Per share of Preferred Stock . .	7.00	7.00
Per share of Common Stock . .	2.00	2.00

[†]Includes extraordinary income of $1,400,000 equal to 22 cents per share of common stock. (For explanation see Note 3 to the financial statements on page 25.)

You Will Find in This Report:

Directors

ROY E. TOMLINSON, Chairman

CHARLES C. AUCHINCLOSS	EDWARD F. LOW
HENRY J. COCHRAN	FRANK K. MONTGOMERY
GEORGE H. COPPERS	EDWARD S. MOORE, JR.
FRANKLIN D'OLIER	PAUL MOORE
ROBERT A. FAIRBAIRN	ALEXANDER C. NAGLE
DUDLEY W. FIGGIS	LIVINGSTON PLATT
ROY C. GASSER	WILLIAM WHITE

Officers

GEORGE H. COPPERS, President

THOMAS F. BURKE	Vice President, Bread Department
HOWARD B. CUNNINGHAM	Vice President, Purchasing
HARRY T. EGGERT	Vice President, Personnel Relations
GEORGE A. MITCHELL	Vice President, Finance
EDWARD S. MOORE, JR.	Vice President, Assistant to President
RUSSELL M. SHULTZ	Vice President, Operations
WARREN S. WARNER	Vice President, Sales
FREDERICK F. BRODESSER	General Auditor
ALBERT T. BULLOCK	Secretary and Treasurer
CHARLES S. WEBSTER	Controller

Counsel

EVERETT W. BARTO	General Counsel
WILLIAM E. MacKAY	Assistant General Counsel

Transfer Agent: GUARANTY TRUST COMPANY, NEW YORK, N. Y.

Registrar: FIRST NATIONAL BANK, NEW YORK, N. Y.

NATIONAL BISCUIT COMPANY

[GENERAL OFFICES]

449 West Fourteenth Street, New York 14, N.Y.

GEORGE H. COPPERS, PRESIDENT

TO THE STOCKHOLDERS AND EMPLOYEES

THE YEAR 1948 was one of record employment, business activity and national income for our Country. Our Company, in turn, had its largest sales volume – both in tonnage and dollars.

The Nabisco team – now made up of nearly 32,000 employees, 66,000 stockholders, and 478,000 retailers – is the largest in our history. Each team member benefited from national and Company prosperity. And each contributed to both.

Our stockholders include many small businessmen, employees of ours and other businesses, and professional and retired people. Over half our stockholders and 35 per cent of our employees are women. Many of our stockholders and employees have not had occasion to become familiar with corporate financial and accounting practices, and we have sought to make this report more understandable to them. We have also included operating and financial reports in the accepted form.

Profits Produce Benefits

Net profits for 1948 (including \$1,400,000 extraordinary income amounting to 22 cents per share of common stock, as explained in Note 3 to the Financial Statements) were \$3.33 per share of common stock, compared with \$3.36 in 1947. (The results of our operations in 1948, compared with 1947, are shown in detail in the statement on page 24.)

As you read through the rest of this report, you will see how the operations of the Company have benefited every member of the Nabisco team – employee, stockholder, and retailer.

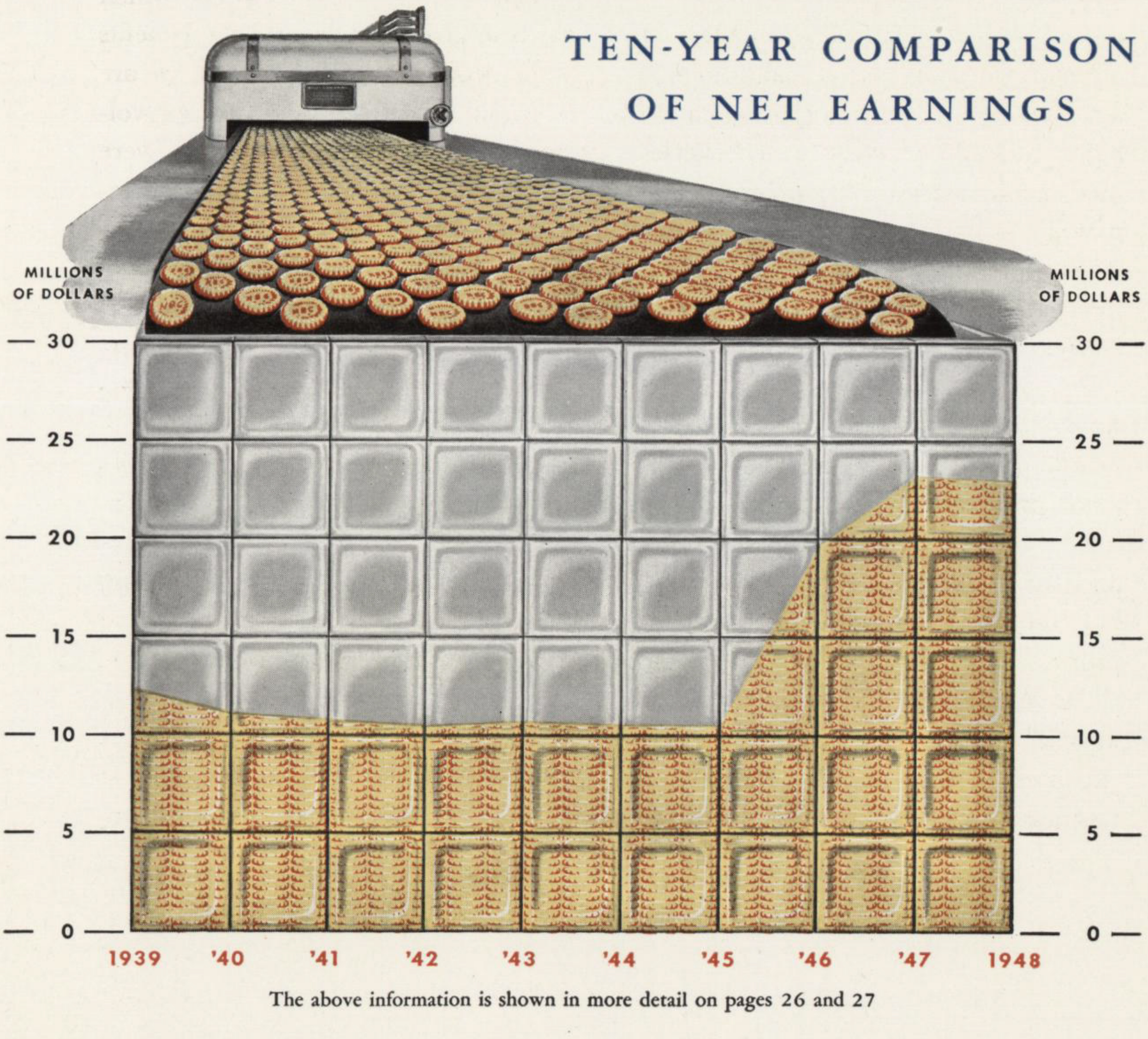
But that's not the whole story.

These benefits were also enjoyed by (1) the millions of housewives who buy our products; (2) the many farmers who sell us wheat and other farm products; (3) the 9,000 other businesses which furnish us with the materials, supplies, and services we need; (4) the communities where we operate 66 plants so that our products may be brought fresh to consumers; (5) the communities where our 239 sales and distribution branches and 20 sales offices are located so that our own sales and delivery personnel may serve our 478,000 retailers with fresh products on the average of once a week (and daily with our bread and soft cake).

Profit Rate Lower

During 1948 we kept a smaller part of each sales dollar as profits. (How each sales dollar was spent or distributed is shown on page 21.) In other words, our *rate* of profit was lower in 1948 than it was in 1947. And the 1948

TEN-YEAR COMPARISON OF NET EARNINGS



The above information is shown in more detail on pages 26 and 27

profit rate was also lower than for the pre-war years.

Here are the reasons for the lower profit rate:

1. Total payments to our own people were substantially larger. Wage and salary rates were increased during the year and payments for employee benefits were higher. In order to handle our larger sales volume, the number of Nabisco employees increased from 29,128 in 1947 to 31,402 in 1948. Thus, our larger volume of business made more jobs and resulted in a larger aggregate payment in salaries and wages and employee benefits.

2. As one of the largest buyers of agricultural products, we paid more to farmers. (We processed approximately 8,900 carloads of wheat; our bakeries used 9,900 carloads of flour and 2,600 carloads of shortening; and, of course, we used many other agricultural commodities.) The resulting benefits to farmers were an increased cost to us.

3. We paid higher prices for the supplies, services, and capital investments that we purchased from the 9,000 other businesses from which we buy. That benefited those businesses and the people associated with them, but the increased cost reduced our profits.

4. We did not increase our prices to offset fully all these rising costs and expenses in 1948. We thought it good business to reduce our profit rate, temporarily, by holding down the prices of our products, with the expectation that costs of materials and supplies would later stabilize at a lower level.

Production and Sales at All-Time High

Like every other business which wants to grow and expand the benefits to the people who depend on it, we are continually trying to increase our volume of sales. During 1948 we were successful in this respect. Our sales increased to $296,250,431 and increased 232 per cent above our average annual volume during the pre-war period of 1935-39. It would have taken approximately 550 trains of 100 freight cars each to haul our 1948 production of baked goods.

We recognize, of course, that a substantial part of this large increase results from the war-born boom in all businesses. We know that we must be prepared for the keener competition which will eventually come.

Our new variety of english style cookies, "Anniversary Assortment," was very well received and is now an im-

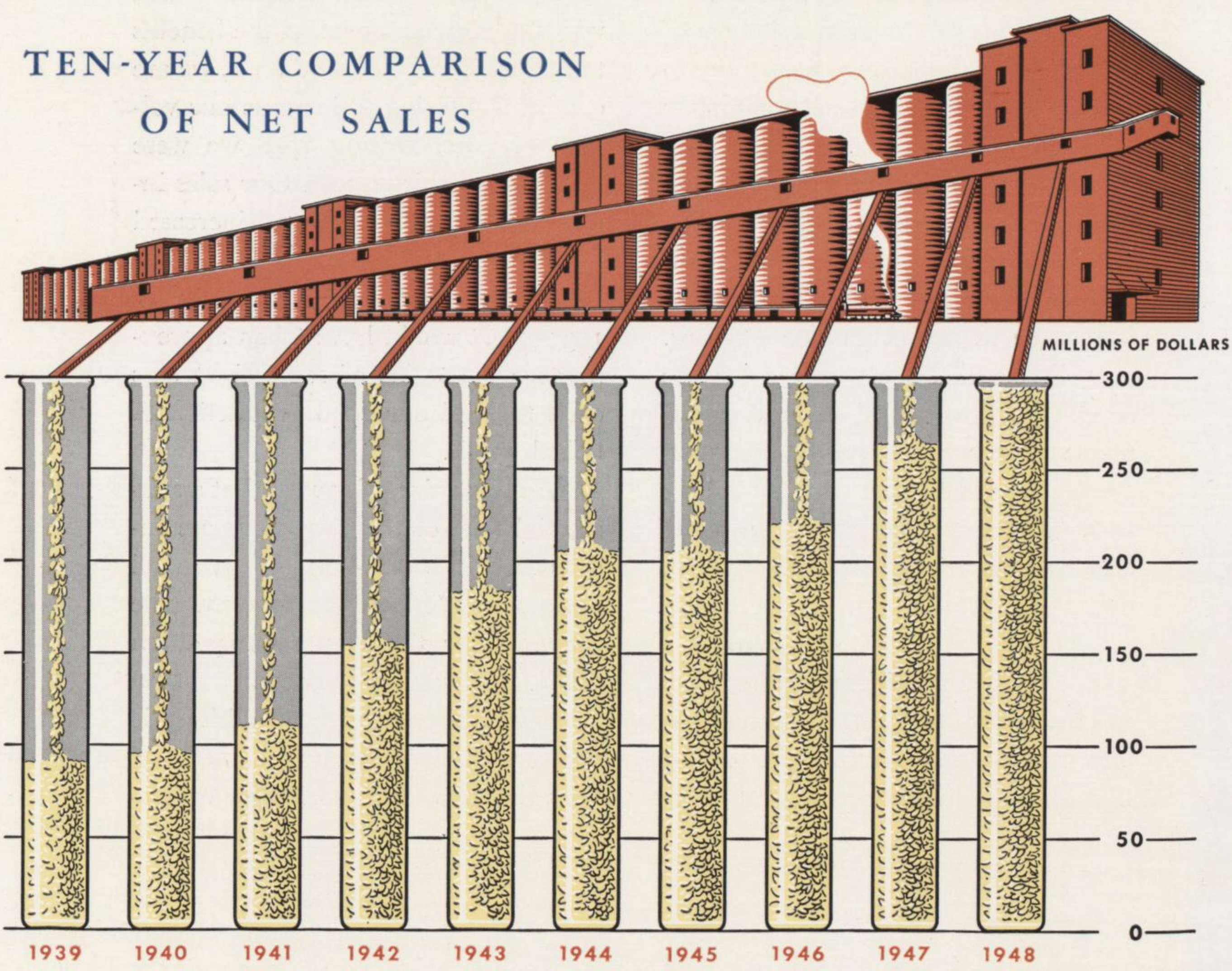
portant item in our sweet goods line. Our "Premium" and "Ritz" brands continue to be "America's favorite crackers." Some of our more popular items are pictured on the inside back cover of this report.

Despite the greater availability of materials, insufficient production capacity prevented us from supplying our retailers with their full needs of some products. This will be corrected as new plants, now under construction, get into operation.

Our method of distributing our products from our local plants to the retailer, through our own 239 strategically located distribution branches, enables us to maintain high standards of freshness and service to the retailer and housewife. Our new and modernized plants will enable us to raise our quality standards even higher and should further strengthen our sales position.

Thus, a high sales volume benefits stockholders, employees, retailers, suppliers, and housewives. For this reason

TEN-YEAR COMPARISON OF NET SALES



—like other consumer businesses—we are targeting our plans and efforts at better products, priced to give the housewife good value and the retailer an attractive profit.

Retailer Contributions

The retailer is a full member of the Nabisco team, and our 1948 all-time high in sales would not have been possible without his contribution. Through good service, our 5,500 salesmen and deliverymen are striving constantly to maintain and improve the friendly and cooperative retailer relationships which our Company has enjoyed for so many years.

But we know we will continue to enjoy good relations with our retailers only so long as handling our products is *profitable to them.* For this reason we seek constantly to assure the retailer of a profit margin and rate of turnover that will make the Nabisco product line one of the most attractive in his store. That is why the profit-minded retailer gives prominent displays to Nabisco products.

Understanding Our Profits

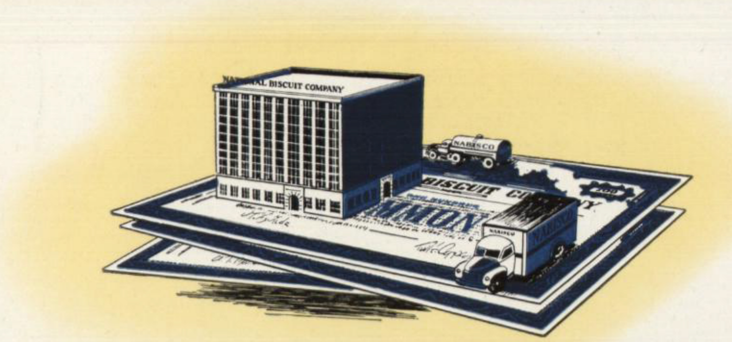
It is important in understanding the significance of the Company's profits for the year 1948, to give careful consideration to the subject of three "Reserves":

1. Depreciation Reserve
2. Reserve for High-Cost Plant Additions
3. Inventory Reserve

The "Depreciation Reserve" is the accumulation of the annual deductions from income of depreciation, reflecting the average wear and aging of tools being used in the business. (Depreciation Reserve is shown as "Allowances for Depreciation" and is deducted from the Plants, Real Estate, Machinery and Equipment in our balance sheet.)

The "Reserve for High-Cost Plant Additions" and the "Inventory Reserve" are appropriations made from Earned Surplus to provide for a future contingency and hence do not affect our profits. In any year an addition to or deduction in these reserves is designed to make that year's statement of the Company's financial position the most accurate one possible in the light of current and foreseeable conditions.

1. Depreciation Reserve: Depreciation is the amount reserved—or deducted—from income to take care of the average wear and aging of plants



and equipment. This is important in a business which is permanent, so that as the plants wear out or get out of date there will be cash *or its equivalent* to replace them.

Depreciation is computed on the basis of the estimated life of the asset, as specified by government taxing authorities. For example, a building which is estimated to have a useful life of 50 years would carry a 2 per cent depreciation rate per year, while an automobile which should be serviceable for five years would carry a 20 per cent depreciation rate.

In computing the Depreciation Reserve, the depreciation rate is applied to the *original cost* of the item. Thus, an automobile which cost $1,000 would mean (at a 20 per cent rate) an addition to Depreciation Reserve of $200 per year. This $200 would be deducted from the year's income.

Under current accepted accounting practice, changes in the purchasing power of the dollar are not reflected in the Depreciation Reserve. Take the example of the automobile which cost $1,000. The 20 per cent depreciation rate applied to the $1,000 cost will retain only $1,000 in the business during the five-year period. If, because of the lower purchasing power of the dollar, the same automobile now costs $1,500, the $1,000 Depreciation Reserve will be inadequate to provide for the replacement of the car. Under such conditions, in addition to the $1,000 Depreciation Reserve, $500 of the profits earned during the five-year period would have to be retained in the business to replace the car.

Our depreciation is figured on the original cost of the plant and equipment. This is the traditionally accepted basis. However, since most of our plants and equipment were bought before the war, their present replacement cost is substantially higher. Therefore, the depreciation rates allowed by the tax authorities will not provide adequate reserves for replacing these assets if costs remain high. To the extent that this is true, it is necessary to supplement the amounts provided through Depreciation Reserves by retaining in the business profits at least equal to the increased cost of facilities which must be replaced.

2. Reserve for High-Cost Plant Additions: We are engaged in a large construction and modernization program during a period of what now seems to be abnormally high costs due to shortages. However, we have no way of knowing when these costs

will be lower. Meanwhile, the new facilities and equipment will result in increased capacity and substantially reduced operating costs for the Company, and will provide urgently needed replacements which had to be deferred because of the war. Should a substantial drop occur in the costs of plants and equipment, it may be wise to appraise the additions made at present high costs and write them down to a then more normal basis.

In view of our inability to foresee future conditions, we set aside from surplus a $6,000,000 Reserve for High-Cost Plant Additions in 1947. We added $6,000,000 more in 1948.

3. Inventory Reserve: In stating our financial position as of December 31, 1948, our inventories of raw materials, supplies, and finished products were valued at what they cost or what their current market value was at that date, whichever value was lower. This is in accordance with accepted accounting practice.

On this basis, our inventories on that date were $39,667,902, compared with $43,082,429 at the end of 1947. This slightly lower amount is due principally to lower quantities on hand.

Raw materials and other inventories may suffer sharp drops in prices; hence, we believe it is wise to continue to carry the Inventory Reserve of $5,000,000 which was created prior to 1947. We did not think it necessary, however, to increase the amount of this reserve in 1948.

Profits From Foreign Subsidiaries

Our foreign subsidiaries — three in Canada and one in England — accounted for 6 per cent of the Company's net profits in 1948. Our investment in these subsidiaries, included in the balance sheet on page 22, amounted to $8,709,386 at the end of 1948.

Price controls covering our finished products are still in effect in England, and rising costs continue to reduce our profit rate in that country. Operations of the subsidiaries are otherwise satisfactory.

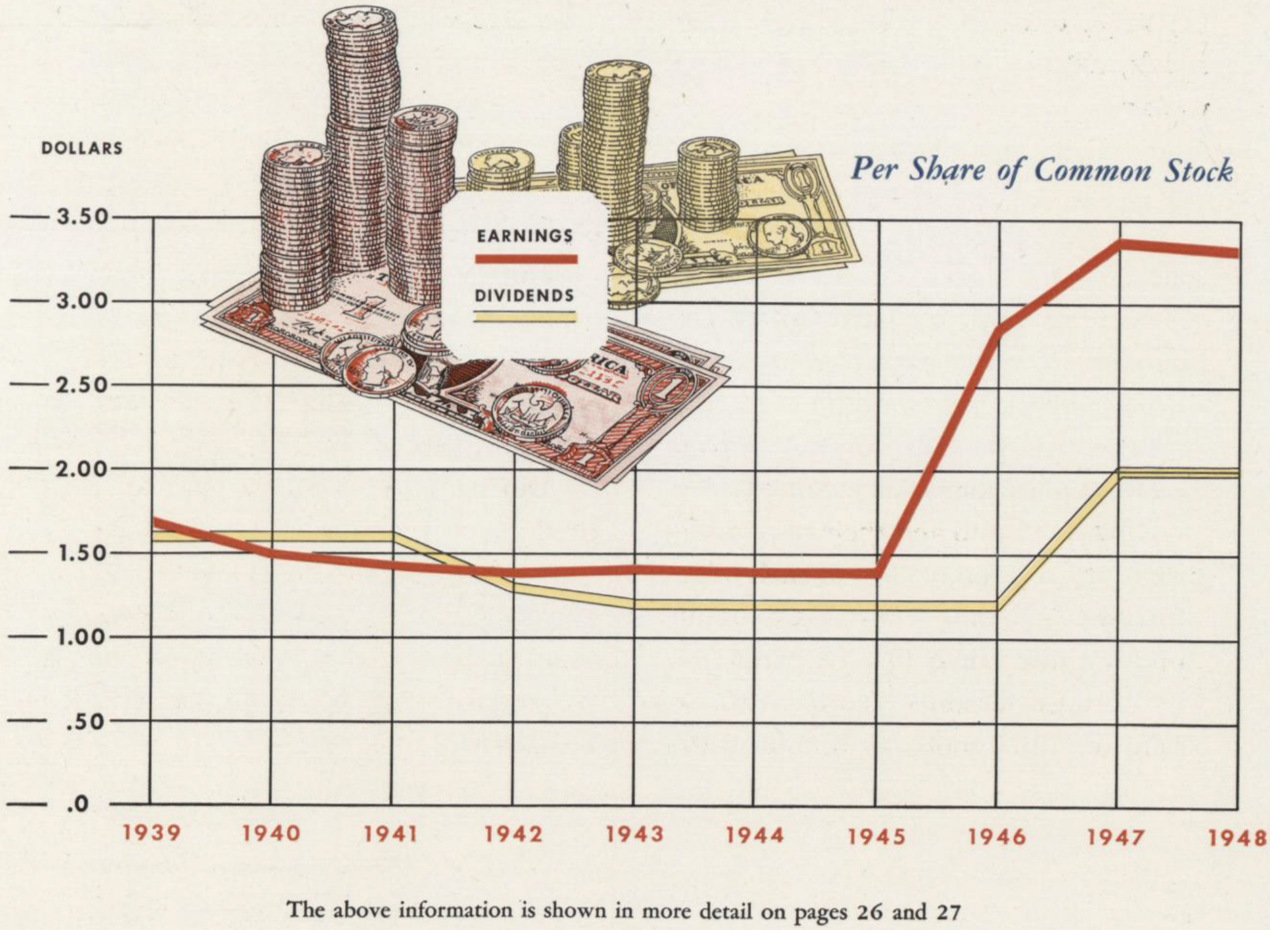
We are exploring the profitability of operating in other countries of the world, either directly or through wholly or partly owned subsidiaries.

Long Dividend Record for Stockholders Continues

Throughout the 51 years since it was organized, our Company has never failed to pay its preferred dividend and has paid its common stockholders a dividend every quarter.

Our common stockholders have not benefited from the increase in the Company's business to the same extent as other members of the Nabisco team. As we pointed out earlier in this report, costs have increased disproportionately to sales. As a result, the rate of profits in relation to sales has declined. Also, the need for expansion made it desirable to reinvest a larger portion of profits in the business, and this has held down dividend payments. In the long run, however, we believe that this policy is in the best interests of the stockholders and benefits other team members as well.

TEN-YEAR COMPARISON OF EARNINGS AND DIVIDENDS



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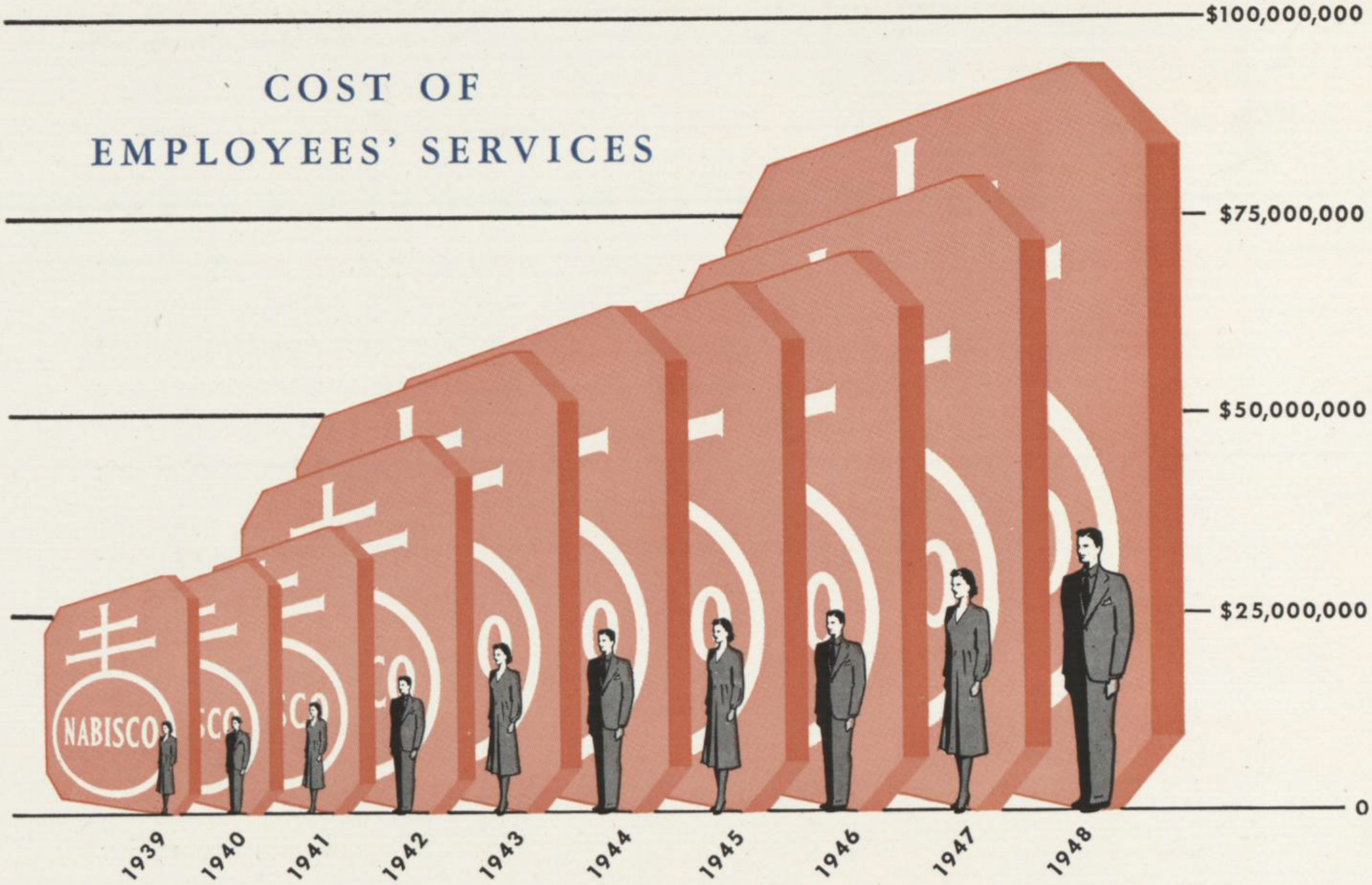


Employee Contributions

During 1948 the outstanding contribution of our employee group helped make possible our new high in sales volume. For the most part, our employees recognize their important place in the Nabisco team and their responsibility to the Company, and to each other, for meeting rising costs. To maintain and improve our living standards each of us must produce more—with the help of better tools or through better performance, or both.

Our facilities for the comfort, convenience, and protection of employees were expanded during 1948 to take care of our large group. Our outstanding safety record was continued.

During 1948, pensions paid to retired employees amounted to $882,619; and at the close of the year 1,421 persons were receiving pensions. More than 98 per cent of our eligible employees are now participating in group insurance.

Activities of our Personnel Relations Department were expanded. The salary administration program based on job evaluation, inaugurated during the year in the General Offices, is being gradually extended throughout the Company. This program is designed to make better provision for maintaining equitable salary relationships—within and among departments, and to salaries within our industry, and in the communities in which we operate. It will also help to clarify and keep open our lines of promotion.

Training programs are being put into effect as a means for widening employees' opportunities for advancement. Activities of our Personnel Relations Department have been decentralized to make its facilities more readily available throughout the Company.

The management believes that good teamwork must be based on mutual understanding among all members of the team. To that end we are taking steps to make it easier for the employees to know their Company and its problems and activities. This report is one step in that program.

Expansion, Modernization, and Rehabilitation Program Moves Ahead

Our plant expansion, modernization, and rehabilitation program continues to be big news for all Nabisco team members. This program will do much to increase our output, lower our costs, and improve our service.

Here are the 1948 highlights of this program:

1. Two new units went into operation during 1948: a pretzel unit in the New York City plant and a soft cake unit at East Liberty, Pennsylvania.

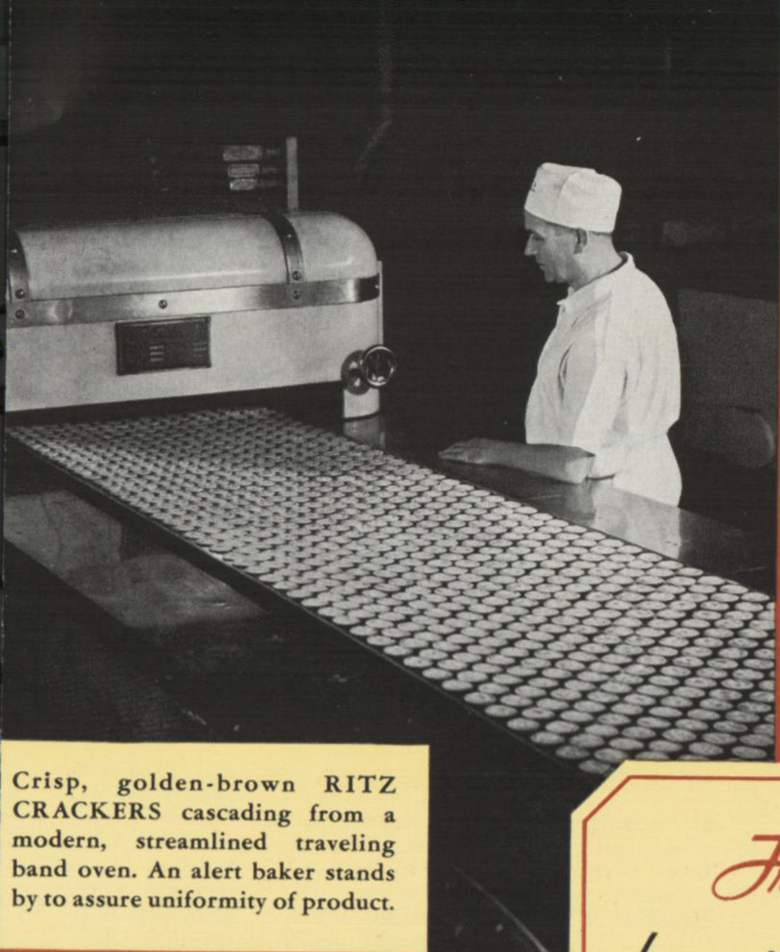
2. The East Liberty cracker bakery is being remodeled and fitted with modern equipment.

3. These new bakeries are under construction:

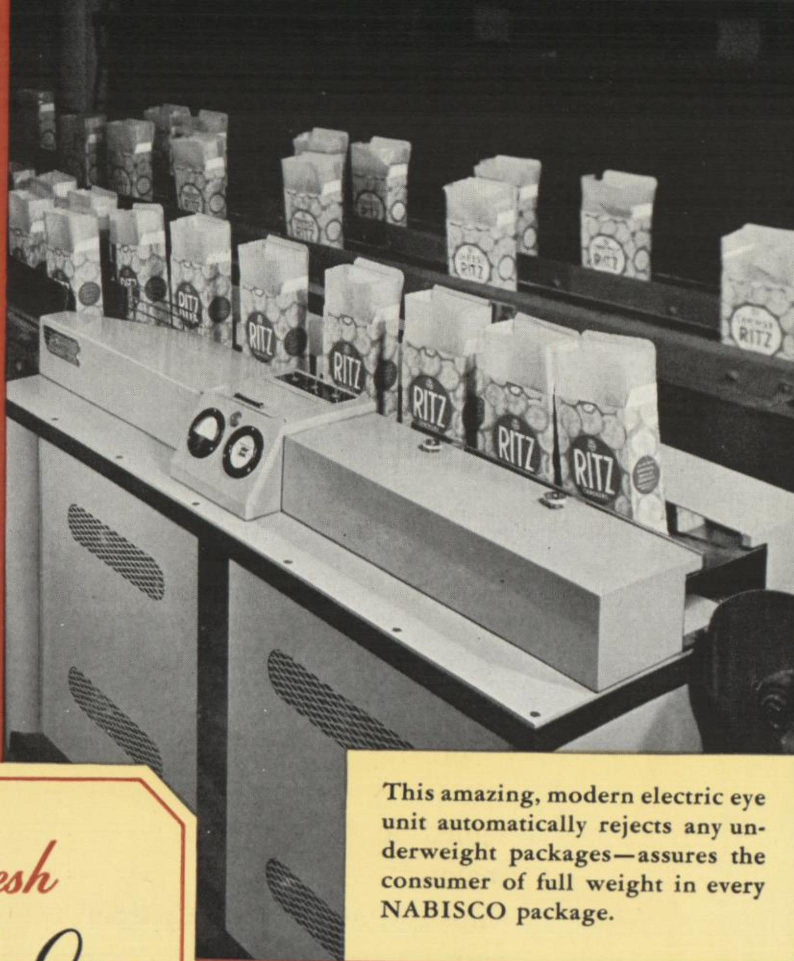
	EXPECTED COMPLETION DATE
Elmira, N. Y. BREAD BAKERY	1949
Houston, Tex. CRACKER BAKERY	1949
Niagara Falls, N. Y. TRISCUIT UNIT	1949
Plattsburg, N. Y. BREAD BAKERY	1949
Portland, Ore. CRACKER BAKERY	1950
Toronto, Canada CRACKER BAKERY	1949

[*Continued on page* 17]

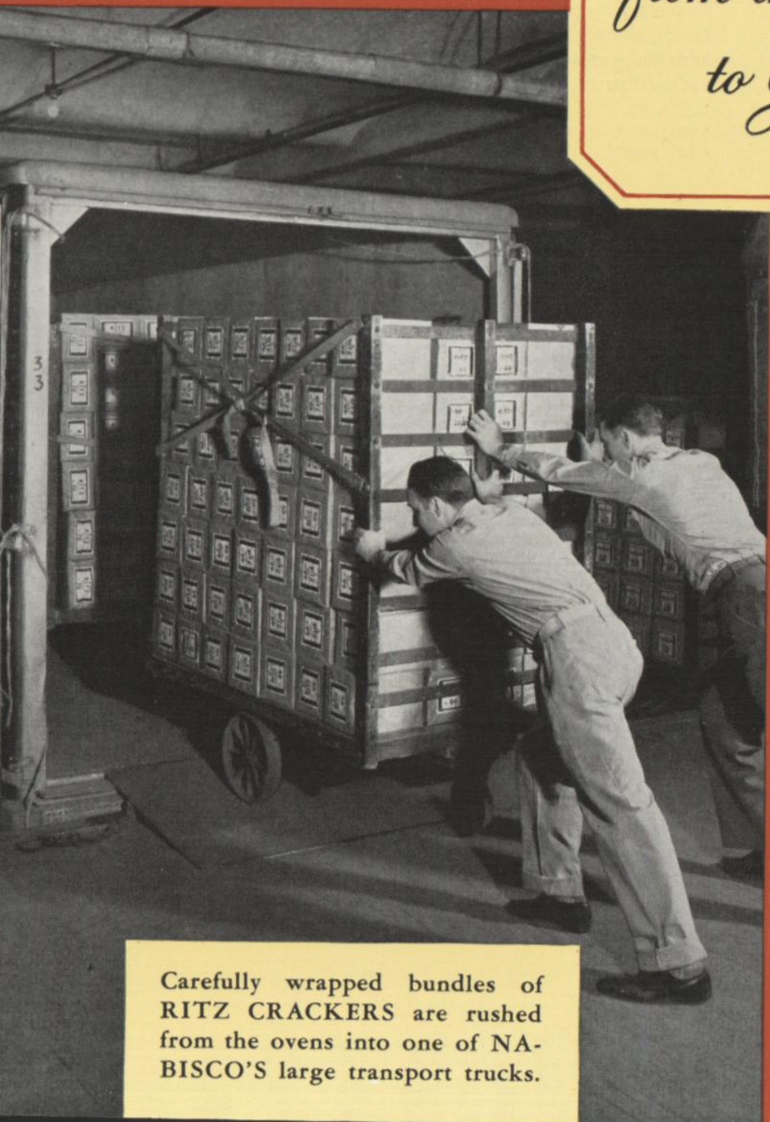
Fresh from the Oven to You



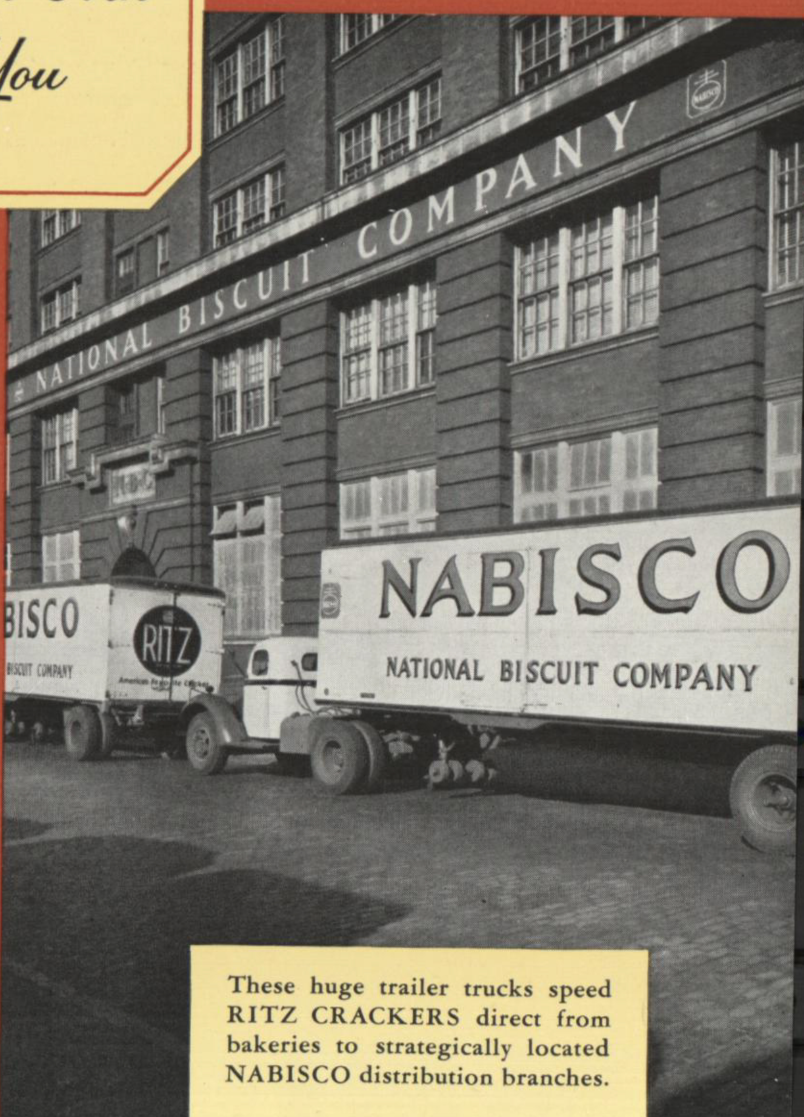
Crisp, golden-brown RITZ CRACKERS cascading from a modern, streamlined traveling band oven. An alert baker stands by to assure uniformity of product.



This amazing, modern electric eye unit automatically rejects any underweight packages—assures the consumer of full weight in every NABISCO package.



Carefully wrapped bundles of RITZ CRACKERS are rushed from the ovens into one of NABISCO'S large transport trucks.



These huge trailer trucks speed RITZ CRACKERS direct from bakeries to strategically located NABISCO distribution branches.

ACROSS THE NAT

Sales Offices

AKRON, OHIO
BEAVER FALLS, PA.
CAMDEN, N. J.
CEN. CHICAGO, ILL.
CHATHAM, ILL.
DORMONT, PA.
ELIZABETH, N. J.
FLINT, MICH.
HOLLYWOOD, CAL.
MALDEN, MASS.
McKEESPORT, PA.
NORTH CHICAGO, ILL.
NORTH PHILADELPHIA, PA.
OAK PARK, ILL.
PASADENA, CAL.
SCHENECTADY, N. Y.
SOUTH CHICAGO, ILL.
SOUTH PHILADELPHIA, PA.
WEST PHILADELPHIA, PA.

Cracker Bakeries

ATLANTA, GA.
BALTIMORE, MD.
BATTLE CREEK, MICH.
BUFFALO, N. Y.
CAMBRIDGE, MASS.
CHICAGO, ILL. (2)
DENVER, COLO.
DETROIT, MICH.
EAST LIBERTY, PA.
HOUSTON, TEX.
KANSAS CITY, MO.
LOS ANGELES, CAL. (2)
MEMPHIS, TENN.
MINNEAPOLIS, MINN.
NEW YORK, N. Y.
OKLAHOMA CITY, OKLA.
PHILADELPHIA, PA.
PORTLAND, ME.
PORTLAND, ORE.
ST. LOUIS, MO.
SAN FRANCISCO, CAL.
SEATTLE, WASH.

Bread Bakeries

ALBANY, N. Y.
BIRMINGHAM, ALA.
BUFFALO, N. Y.
BURLINGTON, VT.
CHARLESTON, S. C.
CLEVELAND, OHIO
EAST LIBERTY, PA.
ELMIRA, N. Y.
GLENS FALLS, N. Y.
HOUSTON, TEX.
NEWARK, N. J.
NEW BRITAIN, CONN.
NEWBURGH, N. Y.
PLATTSBURG, N. Y.
ROCHESTER, N. Y.
SAN ANTONIO, TEX.
SAVANNAH, GA.
SYRACUSE, N. Y.
WILMINGTON, N. C.

Sales & Di

ABILENE, TEX.
ALBANY, N. Y.
ALLENTOWN, PA.
ALTOONA, PA.
AMARILLO, TEX.
ASBURY PARK, N. J.
ASHEVILLE, N. C.
ATLANTA, GA.
ATLANTIC CITY, N. J.
AUGUSTA, GA.
AUSTIN, TEX.

BALTIMORE, MD.
BANGOR, ME.
BATON ROUGE, LA.
BEAUMONT, TEX.
BINGHAMTON, N. Y.
BIRMINGHAM, ALA.
BLUEFIELD, W. VA.
BRIDGEPORT, CONN.
BRISTOL, TENN.
BROCKTON, MASS.
BROOKLYN, N. Y.
BUFFALO, N. Y.
BURLINGTON, IOWA
BURLINGTON, VT.
BUTTE, MONT.

CADILLAC, MICH.
CAIRO, ILL.
CAMBRIDGE, MASS.
CANTON, OHIO
CEDAR RAPIDS, IOWA
CHARLESTON, S. C.
CHARLESTON, W. VA.
CHARLOTTE, N. C.
CHATTANOOGA, TENN.
CHELSEA, N. Y. CITY
CHICAGO, ILL.
CINCINNATI, OHIO
CLARKSBURG, W. VA.
CLEVELAND, OHIO
COLUMBIA, S. C.
COLUMBUS, GA.
COLUMBUS, OHIO
CORPUS CHRISTI, TEX.
CUMBERLAND, MD.

DALLAS, TEX.
DANVILLE, VA.
DAVENPORT, IOWA
DAYTON, OHIO
DECATUR, ILL.
DENVER, COLO.
DES MOINES, IOWA
DETROIT, MICH.
DOVER, N. H.
DU BOIS, PA.
DUBUQUE, IOWA
DULUTH, MINN.
DUNELLEN, N. J.

EAST LIBERTY, PA.
ELMIRA, N. Y.
EL PASO, TEX.
ERIE, PA.
ESCANABA, MICH.
EVANSVILLE, IND.

FARGO, N. D.
FAYETTEVILLE, N. C.
FITCHBURG, MASS.
FLORENCE, S. C.
FORT WAYNE, IND.
FORT WORTH, TEX.
FORTY FORT, PA.
FRESNO, CAL.

GARY, IND.
GENEVA, N. Y.
GLENS FALLS, N. Y.
GRAND RAPIDS, MICH.
GREAT FALLS, MONT.
GREEN BAY, WISC.
GREENSBORO, N. C.
GREENVILLE, N. C.
GREENVILLE, S. C.
GREENWOOD, MISS.

HAGERSTOWN, MD.
HARLINGEN, TEX.
HARRISBURG, PA.
HARTFORD, CONN.
HOUSTON, TEX.
HUNTINGTON, W. VA.

INDIANAPOLIS, IND.

JACKSON, MISS.
JACKSONVILLE, FLA.
JAMAICA, N. Y.
JAMESTOWN, N. Y.
JERSEY CITY, N. J.
JOHNSTOWN, PA.
JOPLIN, MO.

KALAMAZOO, MICH.
KANSAS CITY, MO.
KNOXVILLE, TENN.

LA CROSSE, WISC.
LANCASTER, PA.
LANSING, MICH.
LA SALLE, ILL.
LAWRENCE, MASS.
LEBANON, N. H.
LEWISTON, ME.
LEXINGTON, KY.
LINCOLN, NEBR.
LITTLE ROCK, ARK.
LONG BEACH, CAL.
LONG ISLAND CITY, N.
LOS ANGELES, CAL.
LOUISVILLE, KY.
LYNCHBURG, VA.

MACON, GA.
MADISON, WISC.
MANCHESTER, N. H.
MANSFIELD, OHIO
MASON CITY, IOWA
MEMPHIS, TENN.
MERIDIAN, MISS.
MIAMI, FLA.
MIDDLETOWN, N. Y.
MILWAUKEE, WISC.
MINEOLA, N. Y.
MINNEAPOLIS, MINN.
MOBILE, ALA.
MONTGOMERY, ALA.
MOUNT VERNON, N. Y.
MUSKOGEE, OKLA.

NASHVILLE, TENN.
NEWARK, N. J.
NEW BEDFORD, MASS.
NEW BRIGHTON, N. Y.
NEWBURGH, N. Y.
NEW HAVEN, CONN.
NEW LONDON, CONN.

ON WITH NABISCO

ution Branches

W ORLEANS, LA.
WPORT NEWS, VA.
WTON, MASS.
RFOLK, VA.

KLAND, CAL.
LAHOMA CITY, OKLA.
EAN, N. Y.
AHA, NEBR.
ANGE, N. J.
LANDO, FLA.

TCHOGUE, N. Y.
TERSON, N. J.
NSACOLA, FLA.
ORIA, ILL.
ILADELPHIA, PA.
ILLIPSBURG, N. J.
OENIX, ARIZ.
TSFIELD, MASS.
CATELLO, IDAHO
ESQUE ISLE, ME.
RTLAND, ME.
RTLAND, ORE.
TTSVILLE, PA.
UGHKEEPSIE, N. Y.
OVIDENCE, R. I.
EBLO, COLO.

INCY, ILL.
INCY, MASS.

LEIGH, N. C.
ADING, PA.
CHMOND, VA.
VERSIDE, CAL.
ANOKE, VA.
CHESTER, N. Y.
CKFORD, ILL.

CRAMENTO, CAL.
GINAW, MICH.
INT JOSEPH, MO.
INT LOUIS, MO.
LEM, MASS.
LINA, KANS.
LISBURY, MD.
LT LAKE CITY, UTAH
N ANTONIO, TEX.
N DIEGO, CAL.

SAN FRANCISCO, CAL.
SAN JOSE, CAL.
SAVANNAH, GA.
SCRANTON, PA.
SEATTLE, WASH.
SHEFFIELD, ALA.
SHREVEPORT, LA.
SIOUX CITY, IOWA
SIOUX FALLS, S. D.
SOUTH BEND, IND.
SPOKANE, WASH.
SPRINGFIELD, ILL.
SPRINGFIELD, MASS.
STAMFORD, CONN.
STAUNTON, VA.
STOCKTON, CAL.
SYRACUSE, N. Y.

TACOMA, WASH.
TAMPA, FLA.
TERRE HAUTE, IND.
THOMASVILLE, GA.
TOLEDO, OHIO
TOPEKA, KANS.
TRENTON, N. J.
TULSA, OKLA.

UNIONTOWN, PA.
UTICA, N. Y.

WACO, TEX.
WASHINGTON, D. C.
WATERBURY, CONN.
WATERTOWN, N. Y.
WEST PALM BEACH, FLA.
WHEELING, W. VA.
WICHITA, KANS.
WICHITA FALLS, TEX.
WILLIAMSPORT, PA.
WILMETTE, ILL.
WILMINGTON, DEL.
WILMINGTON, N. C.
WORCESTER, MASS.

YONKERS, N. Y.
YORK, PA.
YOUNGSTOWN, OHIO

ZANESVILLE, OHIO
EXPORT AGENCY, N. Y.

Special Units

BEACON, N. Y., CARTON AND PRINTING PLANT
CARTHAGE, MO., FLOUR MILL
CHENEY, WASH., FLOUR MILL
DAYTON, OHIO, CONE BAKERY
EVANSTON, ILL., MACHINE SHOP
HOLLAND, MICH., RUSK BAKERY (AMERICA'S FINEST TOAST)
LONG ISLAND CITY, N. Y., PAPERBOARD MILL
MARSEILLES, ILL., CARTON FACTORY AND PAPERBOARD MILL
NEW ORLEANS, LA., MOLASSES BLENDING PLANT
NEW YORK, N. Y., MILK BONE BAKERY (DOG BISCUIT)
NIAGARA FALLS, N. Y., SHREDDED WHEAT BAKERY
OAKLAND, CAL., SHREDDED WHEAT BAKERY
TOLEDO, OHIO, FLOUR MILL
YORK, PA., POTATO CHIP PLANT
YORK, PA., PRETZEL BAKERY

Foreign Subsidiaries

CHRISTIE, BROWN AND COMPANY, LIMITED

GENERAL OFFICE
202 King Street East, Toronto 2, Ontario, Canada

SALES & DISTRIBUTION BRANCHES

CALGARY, ALBERTA
HALIFAX, NOVA SCOTIA
HAMILTON, ONTARIO
LONDON, ONTARIO
MONTREAL, QUEBEC
OTTAWA, ONTARIO
QUEBEC, QUEBEC
ST. JOHN, NEW BRUNSWICK
TORONTO, ONTARIO
VANCOUVER, BRITISH COLUMBIA
WINDSOR, ONTARIO
WINNIPEG, MANITOBA

CRACKER BAKERIES
TORONTO, ONTARIO, KING STREET
TORONTO, ONTARIO, STERLING ROAD
WINNIPEG, MANITOBA

CHRISTIE'S BREAD, LIMITED

GENERAL OFFICE
202 King Street East, Toronto 2, Ontario, Canada

BAKERIES
MONTREAL, QUEBEC; TORONTO, ONTARIO; WELLAND, ONTARIO

THE CANADIAN SHREDDED WHEAT COMPANY, LIMITED

SALES OFFICE
202 King Street East, Toronto 2, Ontario, Canada

BAKERY
NIAGARA FALLS, CANADA

THE SHREDDED WHEAT COMPANY, LIMITED

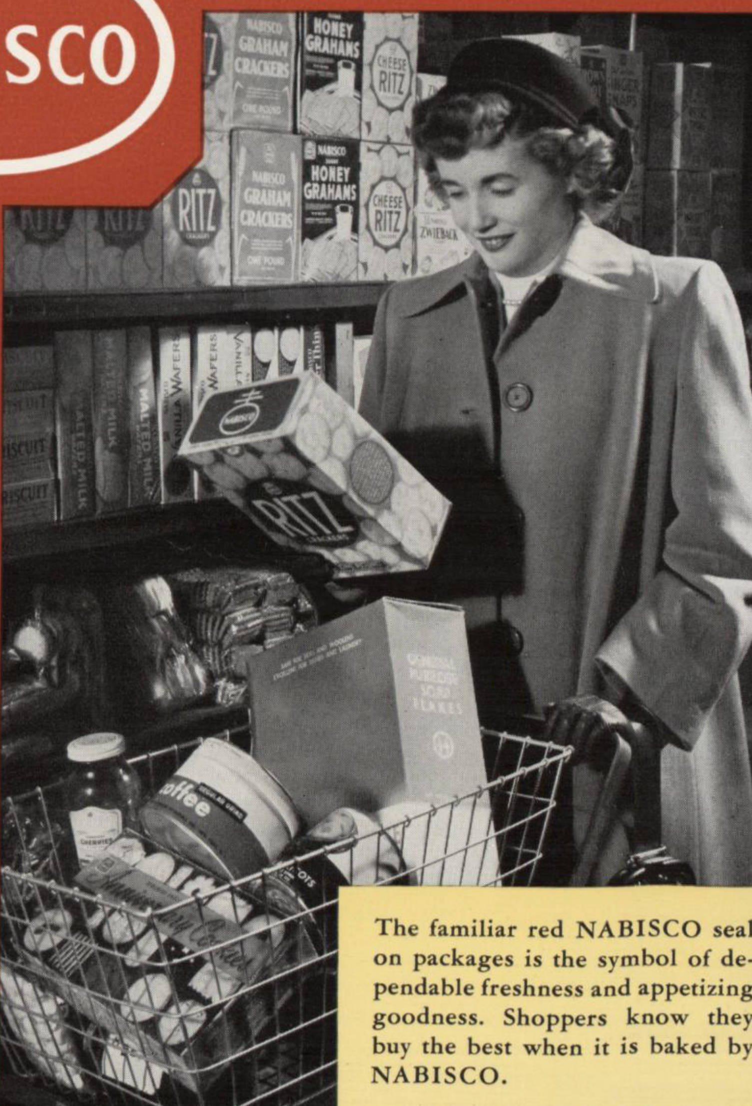
GENERAL OFFICE AND BAKERY
Welwyn Garden City, Herts, England

NABISCO salesmen call on food stores regularly, assuring the unfailing freshness of all NABISCO products. Dealers are supplied with just enough products to take care of current requirements.

NABISCO'S large fleet of modern truck rushes fresh NABISCO products t stores from its nearby distributio branches.

NABISCO

Food dealers feature RITZ CRACKERS in mass displays like this because they know their customers prefer America's favorite cracker.



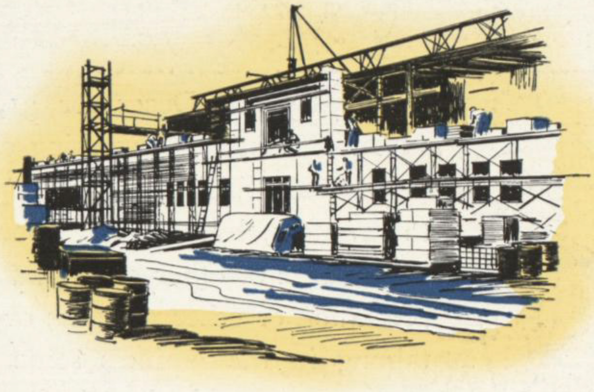
The familiar red NABISCO seal on packages is the symbol of dependable freshness and appetizing goodness. Shoppers know they buy the best when it is baked by NABISCO.

4. On September 30, 1948, we purchased the business and equipment of Bart's Bakery, at Savannah, Georgia. This bread bakery, together with our bread plants at Wilmington, North Carolina, and Charleston, South Carolina, will help us improve our service to these three important southern cities and their surrounding areas.

5. On August 30, 1948, we purchased the plant and equipment of Krispy Products, Inc., a potato chip manufacturing unit at York, Pennsylvania. We had been planning to enter the potato chip business since the marketing and distribution of this product fit in well with our bakery products. This new plant is small and will be used experimentally. As we expand our potato chip business we may add manufacturing facilities at other locations.

6. On February 12, 1948, our Canadian subsidiary, Christie's Bread, Limited, purchased the plant and equipment of La Boulangerie Provinciale, Inc., a bread and cake bakery located at Montreal, Quebec. We had previously been selling soft cake, produced in Toronto, in the Montreal market. Now we can manufacture the cake locally. We have also added bread to our Montreal line. This new plant is proving most satisfactory.

During 1948 we invested $16,800,000 in land, buildings, equipment and motor vehicles. During 1949 we plan to invest an additional $20,000,000. These



expenditures for new tools will strengthen our Company substantially, with resulting benefits to all team members.

Where Is the Money Coming From?

With expenditures for plants and equipment during 1948 and 1949 approximating $36,800,000, it is natural to ask, "Where is the money coming from?" The answer in technical terms is that it is coming out of our own "working capital."

"Working capital" is the difference between (a) the total of cash, and assets that can easily be turned into cash, such as bonds, receivables, and inventories, and (b) the total amount that is due to outsiders within the next year. In other words, "working capital" is the net amount of cash *or its equivalent* which is on hand.

The Company's balance sheet, page 22, giving our financial position, shows that we had "working capital" of

$63,567,890 on December 31, 1948.

In *any* business, "working capital" is obtained principally by selling stocks to investors; by long-term borrowing from banks or other outsiders; by depreciation or other reserves; or by retaining in the business some of the money that would otherwise be distributed to stockholders as dividends. Our Company has not sold stock or borrowed recently, and the depreciation reserve has been discussed.

So we need consider here only money retained in the business. This is done by the directors' authorizing payments of dividends to stockholders that are smaller than the amount of net profits after taxes. In this way the stockholders' money is left in the business.

Of course, when money is left in the business, the value of the business increases, and this benefits stockholders. But employees benefit also. Money remaining in the business can be used to carry the Company over lean years.

It can also be used for expansion and modernization, which make more jobs and add to profits for the benefit of all team members.

So the basic answer to our question —"Where is the money coming from?" —is that it is coming from depreciation reserves and from stockholders' funds (profits) which have been left in the business.

NABISCO As a Taxpayer

Our Company, like every other business, pays federal, state, and local taxes. Total tax payments by business are enormous.

During 1948 our total tax payments were $16,794,777, exclusive of Social Security Taxes. This amounted to $2.67 per share of common stock and meant that out of every dollar we took in, 5.7 cents were paid out in taxes. Our total of such tax payments during the past ten years has been $145,226,533, or more than half of the Company's total earnings before taxes for the period.

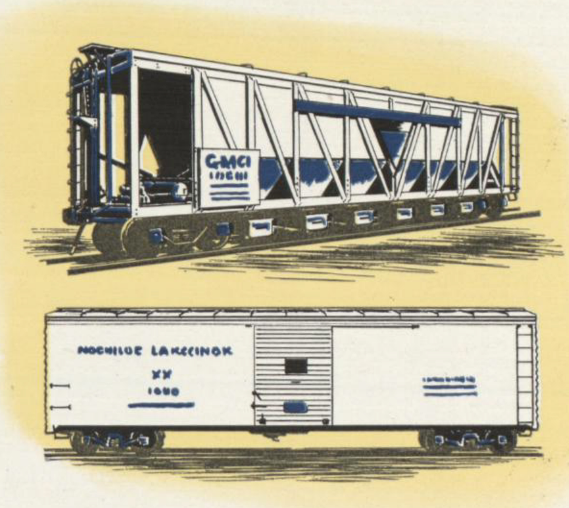
Research Contributions

The New York Research Laboratory was completed this year and is now fully staffed. Many research and experimental projects are under way, directed toward increasing profits through the creation of new products

and improvement of existing products and the materials used in their manufacture.

We are working on a special project — now in experimental operation — for moving flour in bulk between our Toledo, Ohio, flour mill and our Atlanta, Georgia, bakery. When received at our bakery, the flour is distributed from the tank car throughout the plant by means of pneumatic equipment. This new development eliminates the need of handling flour in paper bags.

Although the tests have not been fully completed, we are confident that bulk shipments of this and other commodities will prove successful. Upon the satisfactory conclusion of this experiment, we shall be handling our three major raw materials — flour, shortening, and sugar — in this more convenient and economical way.



Two types of tank cars used in our experiment for shipping bulk flour

Changes in Our Organization

We report with deep regret the death during the year of Edward S. Moore, a member of the Board of Directors and Executive Committee since December 23, 1919.

We are also grieved to report the death of Alfred W. Kasten, Vice President and Assistant to the President. He had been continuously in the service of the Company, in many capacities, since May 8, 1911.

On March 31, 1948, Henry C. Taylor, Treasurer, retired. He had been with the Company all his working career.

On April 1, 1948, Albert T. Bullock, Secretary, was also elected Treasurer; Frederick F. Brodesser, formerly Assistant Secretary and Assistant Treasurer, was elected General Auditor; and Charles S. Webster, formerly Assistant Controller, was elected Controller. All these men have spent their entire business careers with the Company and have advanced from junior starting positions. We anticipate that this realignment will improve the coordination of our finance, control and auditing activities.

On April 19, 1948, Edward S. Moore, Jr., Assistant to the President, was elected a Vice President. On September 27, 1948, Mr. Moore also became a member of our Board of Directors and Executive Committee.

Looking Ahead

We believe that 1949 will be a good year. There is some feeling that business activity may not continue at the high level set in 1948, but we look for no serious decline.

However, we are preparing for keener competition. We are constantly striving to improve our operating methods to offset any adverse effect on our profits should we experience some recession in business activity.

We are working on a program of long-range profit improvement affecting every major department. We have established new executive positions which we think strengthen the organization. In selecting the personnel for these new positions, we have adhered to our traditional policy of advancement from within; we have brought in personnel from the outside only when our own ranks did not include someone with the qualifications for the position.

The present management is made up of men who have worked their way up in the Company from minor positions in its offices, manufacturing plants, and distribution branches, and we are anxious that the same opportunities for advancement be preserved for others. Nevertheless, it is necessary occasionally to bring in outsiders for specialized positions, and such strengthening of the Company is in the interests of everyone.

Looking ahead, we may be sure of one thing: Our competitive system—sparked by the urge to improve, with rewards for the successful—will continue to maintain our Country and its form of government as the best yet developed by man for producing the most for the greatest number.

Geo. H. Coppers

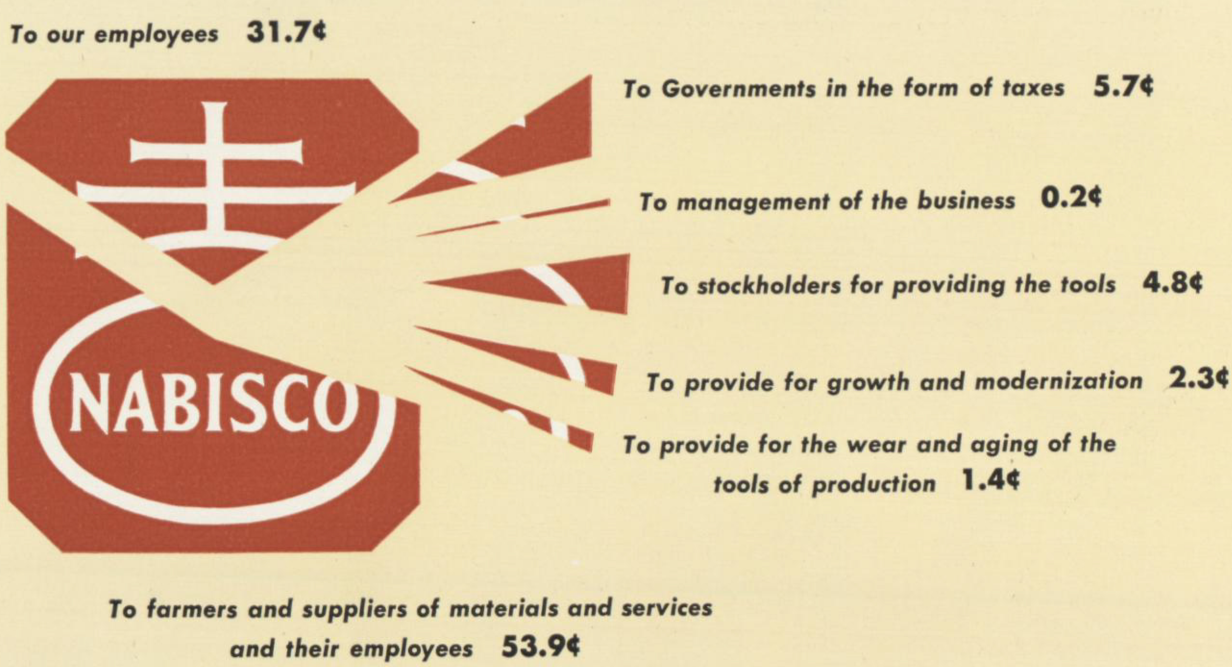
PRESIDENT

SUMMARY OF OPERATIONS — 1948

We received as income from sale of our products	$296,250,431
We expended for:	
Raw materials, supplies and services bought from others . . .	$159,690,111
Employees' services (wages, pensions, social security taxes, etc.)	93,980,931
Direct taxes, except social security taxes	16,794,777
Estimated wear and tear on plant and equipment	4,226,517
Loss on sale of assets not needed to produce income	1,219
Officers' salaries for management of the business	518,477
Leaving profits, representing the cost of using the tools of production (plant and equipment), which were:	
Distributed as dividends to the stockholders	$ 14,315,211
Retained in the business for expansion and modernization . .	6,723,188

National Biscuit Company also realized extraordinary income of $1,400,000, as explained in Note 3 to the financial statements on page 25, and received $275,337 for activities not related to the manufacture or sale of its products.

Each Nabisco Sales Dollar Produced Income:



CONSOLIDATED

ASSETS

	December 31, 1948	December 31, 1947
Cash	$ 10,376,562	$ 11,736,845
U. S. Bonds . . . . (Approximately equal to amounts at market quotations)	34,073,000	34,073,000
Other Bonds . . . . (Approximately equal to amounts at market quotations) Note: $691,500 Principal Amount U. S. and Other Bonds deposited for special reasons	99,000	1,074,437
Accounts Receivable	7,216,799	6,829,635
Raw Materials, Supplies and Finished Product . . (NOTE 1)	39,667,902	43,082,429
Total Current Assets	91,433,263	96,796,346
Notes and Mortgages Receivable	93,564	191,996
Post-War Refund of Excess Profits Taxes (Canada) .	352,672	397,342
Plants, Real Estate, Machinery and Equipment . . (NOTE 2)	67,350,164	54,938,085
Prepaid Expenses and Deferred Charges	2,604,619	1,989,356
Total	$161,834,282	$154,313,125

(Notes to the financial statements appear on page 25)

BALANCE SHEET

LIABILITIES

	December 31, 1948	December 31, 1947
Accounts Payable (Purchase Invoices, Pay Rolls and other Accruals not due for payment)	$ 8,645,791	$ 6,842,446
Common Dividends, Payable January 14, 1949	5,031,558	5,031,558
Reserve for Federal and Foreign Taxes on Income	14,188,024	16,925,788
Total Current Liabilities	27,865,373	28,799,792

CAPITAL & SURPLUS

Capital Stock, Preferred (Par Value $100 — 7% Cumulative) Shares authorized 250,000, issued 248,045	24,804,500	24,804,500
Capital Stock, Common (Par Value $10) Shares authorized 12,000,000, issued 6,289,448	62,894,480	62,894,480
Earned Surplus (Retained for use in the business):		
Appropriated:		
Insurance and Contingent Reserve	3,720,306	3,663,255
Reserve for High-Cost Plant Additions	12,000,000	6,000,000
Inventory Reserve	5,000,000	5,000,000
Unappropriated	25,549,623	23,151,098
Total	$161,834,282	$154,313,125

CONSOLIDATED INCOME & UNAPPROPRIATED EARNED SURPLUS

	Year 1948	Year 1947
Net Sales	$296,250,431	$263,893,660
Cost of Sales	200,974,290	172,010,550
Selling, General and Administrative Expenses	51,489,158	45,524,123
Depreciation	4,226,517	3,808,414
Foreign Exchange Adjustments	81,179	80,156
Taxes (other than Federal and Foreign Taxes on Income)	4,627,956	4,823,259
	261,399,100	226,246,502
Income from Operations	34,851,331	37,647,158
Interest, Rents and Miscellaneous Income (Net)	275,337	327,003
	35,126,668	37,974,161
Loss on disposal of Fixed Assets	1,219	21,012
	35,125,449	37,953,149
Provision for Federal and Foreign Taxes on Income	13,811,713	15,051,023
Net Income for the Year before extraordinary income	21,313,736	22,902,126
Transferred from Reserve for Federal and Foreign Taxes on Income (NOTE 3)	1,400,000	—
Net Income for the Year including extraordinary income	22,713,736	22,902,126
Appropriated as Reserve for High-Cost Plant Additions	6,000,000	6,000,000
Balance of Net Income transferred to Unappropriated Earned Surplus	16,713,736	16,902,126
Unappropriated Earned Surplus January 1	23,151,098	20,564,183
	39,864,834	37,466,309
Preferred Dividends	1,736,315	1,736,315
Common Dividends	12,578,896	12,578,896
	14,315,211	14,315,211
Unappropriated Earned Surplus December 31	$ 25,549,623	$ 23,151,098

(Notes to the financial statements appear on page 25)

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Raw Materials, Supplies and Finished Product are carried in the balance sheet at cost or market, whichever is lower, and comprise:

	1948	1947
Raw materials and supplies	$ 30,633,278	$ 34,297,981
Finished product	9,034,624	8,784,448
	$ 39,667,902	$ 43,082,429

NOTE 2. Plants, Real Estate, Machinery and Equipment comprise:

	1948	1947
Cost of properties owned:		
Land	$ 8,849,713	$ 8,738,545
Buildings	55,876,977	47,642,303
Machinery and equipment	52,903,067	45,401,501
Total	117,629,757	101,782,349
Less, Allowances for depreciation	50,279,593	46,844,264
	$ 67,350,164	$ 54,938,085

NOTE 3. The Company's federal income and excess profits tax returns have been examined by the taxing authorities for years through 1944. Based upon such examinations, $1,400,000 of the Reserve for Federal and Foreign Taxes on Income, which had been provided from income of prior years, was not required and has accordingly been returned to income in 1948.

NOTE 4. The so-called "portal to portal" pay suits referred to in the last two annual reports are still pending. We expect that these suits will eventually be dismissed.

REPORT OF AUDITORS

TO THE STOCKHOLDERS OF

NATIONAL BISCUIT COMPANY, NEW YORK, N. Y.

We have examined the consolidated balance sheet of National Biscuit Company and its subsidiary companies as of December 31, 1948, and the related consolidated statement of income and unappropriated earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and unappropriated earned surplus present fairly the consolidated financial position of National Biscuit Company and its subsidiary companies at December 31, 1948, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, N. Y.
February 5, 1949

TEN-YEAR RECORD OF CONSOLIDATED

(Figures shown in thousands of dollars except in

	Net Sales	Earnings Before Income Taxes	Provision for Income Taxes	Net Earnings	Earnings Per Share of Common Stock	Dividends
1948	$296,250	$36,526†	$13,812	$22,714†	$3.33†	$14,315
1947	263,894	37,953	15,051	22,902	3.36	14,315
1946	220,195	31,341†	11,686	19,655†	2.85†	9,284
1945	204,995	26,952	16,444	10,508	1.39	9,284
1944	205,273	29,369	18,890	10,479	1.39	9,284
1943	183,027	24,807	14,210	10,597	1.41	9,284
1942	154,759	24,282	13,857	10,425	1.38	9,913
1941	110,785	19,044	8,312	10,732	1.43	11,799
1940	96,150	15,925	4,776	11,149	1.50	11,796
1939	90,966	15,758	3,424	12,334	1.68	11,784

† Includes extraordinary income of $1,400,000 equal to 22 cents per share of common stock in 1948 and $2,492,685 equal to 40 cents per share of common stock in 1946.

SALES, EARNINGS, & FINANCIAL POSITION

the case of Earnings per Share of Common Stock)

Other Charges or *Credits*	Net Assets	Current Assets	Current Liabilities	Working Capital	Plants, Real Estate, Machinery & Equipment
$ *57*	$133,969	$91,433	$27,865	$63,568	$67,350
1	125,513	96,796	28,800	67,996	54,938
295	116,925	84,288	21,700	62,588	52,246
2	106,259	79,157	27,219	51,938	52,563
14,170	105,037	73,143	30,176	42,967	57,933
843	118,012	64,362	23,412	40,950	74,502
207	117,542	58,261	21,590	36,671	79,002
319	117,237	49,847	14,732	35,115	81,129
365	118,623	46,772	11,115	35,657	81,862
396	119,635	43,671	6,855	36,816	81,336

"Other Charges or *Credits*" include charges to surplus aggregating $16,970,000 representing the write-off of intangibles which was completed in 1944.

"Net Assets," "Current Assets" and "Working Capital" items have been restated for comparative purposes for years prior to 1946 by adding back the Inventory Reserve of $1,019,381 which in the Reports for those years was shown as a deduction from Raw Materials, Supplies and Finished Product.

Quality is never an accident

Since 1898, when the first cracker under the standard of National Biscuit Company appeared on the market, *Nabisco* products have enjoyed a universal reputation for highest quality.

Consumers and retailers alike recognize this superiority of products "baked by *Nabisco*." It has resulted in the continued popularity of old favorites — the immediate and enthusiastic acceptance of new items.

Behind this tradition stand the thousands of men and women who have created it — the inspiring story of personal devotion to an ideal.

It has expressed itself in every one of the many departments in the Company . . .

In the laboratory, where chemists daily examine raw materials used in *Nabisco* products; where flour, butter, flavoring — all ingredients — are constantly analyzed to maintain high quality and uniformity . . .

In the field of packaging, where National Biscuit Company has pioneered in package design, to assure the purity, freshness, flavor, and the attractive appearance of its products when they reach the consumer . . .

In the many bakeries, where the pride of men, skilled in the art of baking, makes *Nabisco* products unmatched for excellence and delicious flavor . . .

The sales department of National Biscuit Company is unique in the food field. It services every food store to see to it that *Nabisco* products are always available at the peak of their tempting freshness . . .

There are many other groups in National Biscuit Company working constantly to maintain this ideal of quality.

"Quality is never an accident" at National Biscuit Company. And it is this constant vigilance that has made the more than 200 products baked by *Nabisco* recognized everywhere as "*The Finest in Bakery Products.*"

On the opposite page are a few of the many favorites.

PRINTED IN U. S. A.


Serve Nabisco Products
NABISCO
Anytime ~ Anywhere
NABISCO SHREDDED WHEAT
12 LARGE BISCUITS 100% WHOLE WHEAT
OREO Creme Sandwich
NABISCO GRAHAM CRACKERS
ONE POUND
SCHOOL
FIG NEWTONS
RITZ CRACKERS
ONE POUND
BARNUM'S ANIMALS
TRISCUIT
NABISCO ZWIEBACK (TOAST)
NABISCO SUGAR HONEY GRAHAMS
Old Fashion GINGER SNAPS
ONE POUND
PREMIUM CRACKERS SALTED
ONE POUND
Uneeda Biscuit
Lorna Doone SHORTBREAD
NATIONAL BISCUIT COMPANY
NABISCO Sugar Wafers
CHEESE RITZ CRACKERS
HOLLAND RUSK
AMERICA'S FINEST TOAST
NABISCO Anniversary Assortment

NABISCO